

Department of Natural Resources

PUID: LOCI-22-005-PA051223A

DIVISION OF OIL AND GAS

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June 1, 2023

Keegan Fleming Drilling Environmental Specialist Hilcorp Alaska, LLC 3800 Centerpoint Drive, Suite 1400 Anchorage, Alaska 99503

RE: LOCI 22-005, Hilcorp Alaska, LLC, Beluga River Unit, Mobile G&I Facility and Two Grassroots Wells (Master Facilities), Plan of Operations Decision.

Dear Mr. Fleming:

I. INTRODUCTION

On May 12, 2023, Hilcorp Alaska, LLC (Hilcorp) submitted a request to the Division of Oil and Gas (Division) for approval of a Lease Plan of Operations (Plan) to drill two grass roots gas wells on J Pad, place a mobile grind and inject (G&I) facility on the BRWD-1 Pad in the Beluga River Unit (BRU) and consolidate BRU authorizations into one lease plan of operations. Approval of this Plan, along with approvals from other state and federal agencies (Agencies), is necessary for Hilcorp to carry out operations in the BRU. Any further development is subject to further review and approval by the Department of Natural Resources (DNR).

II. SCOPE OF DECISION

The DNR Commissioner has delegated authority for approval of Lease Plan of Operations activities to the Division under Department Order: 003 in accordance with Alaska Statute (AS) 38.05 and 11 Alaska Administrative Code (AAC) 83.158. As set forth below, the Division has evaluated the proposed Plan to determine if sufficient information as required by 11 AAC 83.158 is provided. In approving a Plan, the Division may require amendments that it determines are necessary to protect the State's interests (11 AAC 83.158(e)).

Hilcorp is requesting authorization to drill two grassroots gas development wells on J-Pad, construct one mobile G&I facility at the existing BRWD-1 Class I/Class II Disposal Well for the purposes of treating and disposing of waste generated from new projects across the BRU, and construct one gravel ramp and one dump tank for the purposes of offloading drilling waste to the G&I facility.

The following Plan elements require authorization from other agencies:

Agency	Permit Type	Purpose
ADEC-AIR	BRU TVP Facility Air Permit	Drill Rig Emissions
ADNR-DMLW	Temporary Water Use	Water Use
ADEC-Waste	BRWD-1 Mobile G&I Facility	Drilling Waste Disposal
KPB Solid Waste	MSW Landfill Authorization	MSW Disposal
AOGCC	Permit to Drill	Drilling Activities
AK Department of Public Safety	Fire Marshal Permit	Facility Commissioning

III. LAND STATUS

The BRU is a Federal Cook Inlet oil and gas unit administered by the Bureau of Land Management (BLM). The State of Alaska manages the northern half of the subsurface leases within the unit. Chugach Electric Association currently owns two-thirds of the BRU and Hilcorp currently owns one-third of the BRU and is the sole operator of the field.

A. ADL Descriptions

ADL	Date Effective	Date Assigned	Oil and Gas Lessee	Surface Ownership	Access Agreement	Special Use Areas
21129	7/1/1963	1/1/2012	Hilcorp Alaska, LLC	CIRI	Yes	None
21126	7/1/1963	1/1/2012	Hilcorp Alaska, LLC	CIRI/ADFG	Yes	None
21127	7/1/1963	1/1/2012	Hilcorp Alaska, LLC	CIRI	Yes	None
17599	3/8/1962	1/1/2012	Hilcorp Alaska, LLC	AK	Yes	None
17658	7/7/1962	1/1/2012	Hilcorp Alaska, LLC	CIRI/AK/ADFG	Yes	SFSGR
21128	7/1/1963	1/1/2012	Hilcorp Alaska, LLC	CIRI	Yes	None
63055	2/1/1974	1/1/2012	Hilcorp Alaska, LLC	CIRI	Yes	None
58831	12/1/1972	1/1/2012	Hilcorp Alaska, LLC	CIRI	Yes	None
58820	12/1/1972	1/1/2012	Hilcorp Alaska, LLC	AK/ADFG	Yes	SFSGR
58815	12/1/1972	1/1/2012	Hilcorp Alaska, LLC	CIRI	Yes	None

B. Pad Descriptions

Pad	ADL	PLSS Location (Seward MD)	Surface Ownership	Subsurface Ownership	Latitude, Longitude
BRWD-1	58831	T13N R10W S13	CIRI	AK Lease	61.219431 N, -150.975183 W
BRU-G	17658	T13N R10W S25	CIRI/ADFG	AK Lease	61.1898513 N, -151.000571 W
DDILL	21127	T12N D10W C22	CIRI	AK Lease	61.197017 N, -151.019334 W
BRU-J	17658	T13N R10W S23			
BRU-K	21128	T13N R10W S24&23	CIRI	AK Lease	61.203997 N, -151.003861 W
BRU-L	21127	T13N R10W S23	CIRI	AK Lease	61.208857 N, -151.023680 W
BRU-M	58831	T13N R10W S13	CIRI	AK Lease	61.212480 N, -150.991639 W
BRU-N	58820	T13N R09W S18	CIRI/AK/ADFG	AK Lease	61.218969 N, -150.973581 W

IV. PROPOSED OPERATIONS

The Plan describes the proposed operations in full detail. Set forth below is a summary of the key details.

A. Sequence and Schedule of Events

Project Milestone #	Project Milestone	Pad	Proposed Start Date	Proposed End Date
1.	Mobilization of equipment and modules	BRWD-1	6/1/2023	6/15/2023
2.	Site preparation and grading	BRWD-1	6/1/2023	6/15/2023
3.	Facility construction and commissioning	BRWD-1	6/15/2023	8/1/2023
4.	Acceptance of first waste	BRWD-1	8/1/2023	Not Applicable
5.	Mobilization and preparation for drilling activities	BRU J	4/1/2024	4/7/2024
6.	Drilling and well testing "Well 1"	BRU J	4/8/2024	5/8/2024
7.	Install facility piping, electrical and instrumentation lines to tie well into existing BRU-J Pad production infrastructure	BRU J	5/9/2024	6/9/2024

8.	Gas production from "Well 1"	BRU J	6/10/2024	Not Applicable
9.	Drilling and well testing "Well 2"	BRU J	6/11/2024	7/11/2024
10.	Install facility piping, electrical and instrumentation lines to tie well into existing BRU-J Pad production infrastructure.	BRU J	7/12/2024	8/12/2024
11.	Gas production from "Well 2"	BRU J	8/13/2024	Not Applicable

B. Well Sites

BRWD-1 Pad: A mobile G&I Facility will be installed at the existing Class I/Class II Disposal Well. The project will not require on-site waste storage, pad expansions, surface disturbances, or changes to the pad's footprint.

BRU J-Pad: Two natural gas production wells will be drilled on the existing pad and associated infrastructure will be installed including gas flowlines, electrical instrumentation, well cellars, and conductors.

C. Buildings

BRWD-1 Pad: A gravel ramp and dump tank will be constructed for the offloading of drilling wastes, such as drill cuttings and fluids, to the G&I Facility. All equipment associated with this facility will be housed in a skid mounted Remote Pit Module (RPM) building which, along with the dump tank and injection pump building, will be placed in impermeable geomembrane containment.

BRU J-Pad: No new buildings are proposed with this plan.

D. Fuel and Hazardous Substances

BRWD-1 Pad: There will be no storage of fuel and hazardous materials on-site. Lubrication oil and equipment maintenance related fluids will be stored within a containment area inside the RPM Building.

BRU J-Pad: Diesel fuel will be stored on-site in a 5,000-gallon tank during the drilling process. Methanol may be stored on-site in a 450-gallon tote. Currently, glycol is used on site in line-heaters for gas production; methanol is also used periodically for gas production. All secondary containment guidelines in the Hilcorp Alaska Kenai and Cook Inlet Mobile Drilling SPCC plan will be followed.

E. Solid Waste Sites

BRWD-1 Pad: The G&I Facility constitutes a solid waste treatment and disposal site. No solid waste storage sites are planned for the project.

BRU J-Pad: There will be no solid waste sites planned for the drilling activity.

For both projects, all waste will be separated and organized to ensure proper disposal off site. Food related trash and household waste will be stored in closed-top dumpsters that are regularly hauled away for disposal. Household waste will be taken to the Kenai Peninsula Borough Landfill. Oily waste will be sent to a specialty waste contractor for offsite disposal.

F. Water Supplies

BRWD-1 Pad: An existing permitted water well on the BRWD-1 Pad (TWUA A2019-03) or other authorized sources from nearby Hilcorp operated locations, will be utilized for freshwater.

BRU J-Pad: Approximately 100 barrels (bbls) per day of freshwater will be used for drilling this well. Hilcorp intends to utilize an existing permitted water well (TWUA A2019-03) on BRU-J Pad, or other nearby Hilcorp operated locations.

G. Utilities

Existing on-pad power and utilities will be utilized, and no new utility upgrades are included in the projects.

H. Material Sites

No new material sites will be created for the projects.

I. Roads

Existing gravel roads and pads will be used, and no new gravel placement is included in the projects.

J. Airstrips

The existing Beluga River Airport will be utilized, and no new airstrips are included in the projects.

K. All Other Facilities and Equipment

BRWD-1 Pad: No other facilities or equipment are planned as part of this project.

BRU J-Pad: Drilling equipment includes the drilling rig and pipe, the completion rig, mud tanks and mud pumps, boilers, drilling foremen/tool pusher trailer, light plants, generators, and cement silo(s). Other miscellaneous equipment will be on-site temporarily in support of drilling efforts. Well testing equipment includes a line heater, liquids/gas separator, flare, and a 400-bbl water storage tank. Industry Best Management Practices will be adhered to in order to minimize noise.

L. Rehabilitation Plan

Once the field is no longer producing, Hilcorp will restore the access roads and pads to the satisfaction of the surface landowner and in compliance with the applicable laws and regulations. There is no expected impact on habitat and wildlife; however, if unforeseen impacts do occur, they will be remediated by Hilcorp to the satisfaction of the surface landowner as well as any applicable agencies and stakeholders.

M. Operating Procedures Designed to Minimize Adverse Effects.

All project activities will occur in accordance with any laws, regulations, and stipulations issued to Hilcorp, as well as all Hilcorp Wildlife Interaction plans, Procedures, and Best Management Practices.

Fish and Wildlife Habitats:

There are no expected impacts on fish and wildlife habitats as the proposed projects are occurring on existing infrastructure.

Historic and Archeological Sites:

There are no expected impacts on historic and archaeological sites as the proposed projects are occurring on existing infrastructure.

Public Use Areas:

There are no expected impacts on public use areas sites as the proposed projects are occurring on existing infrastructure on private land.

Other uses:

No other uses are anticipated to be impacted during operations.

In approving a Plan, DNR may require amendments necessary to protect the State's interest (11 AAC 83.158). The Division has determined that to protect the State's interest, it is necessary to incorporate the Cook Inlet Areawide Mitigation Measures. Hilcorp addressed these mitigation measures in the application process, but it is necessary to amend the Plan to make clear that the Plan incorporates the Cook Inlet Areawide Mitigation Measures.

All plan applicants must complete a mitigation measure analysis demonstrating that each mitigation measure is satisfied or inapplicable to the proposed Plan, or that the applicant is seeking an exception. Hilcorp completed the mitigation measure analysis and no exceptions were requested.

V. EXISTING OPERATIONS

The BRU was established in 1962. Since that time significant development has occurred. The following are descriptions of the development that has occurred on lands that impact State of Alaska subsurface oil and gas leases. This will incorporate existing infrastructure into the Plan to simplify the process for future authorizations.

A. BRWD-1 Pad

The BRWD-1 Pad is an approximately 1.88-acre gravel pad located 3.54 miles north of the Main Camp, detailed in Appendix A, and 11.60 miles north of Tyonek, Alaska. There is an existing Class I/Class II disposal well (BRWD-1), and one water source well (TWUA A2019-03) on the pad. Additionally, there is an injection skid and the associated infrastructure needed for downhole disposal operations.

B. BRU-G Pad

The BRU-G Pad is an approximately 1.59-acre gravel pad located 1.42 miles northwest of the Main Camp, detailed in Appendix A, and 9.40 miles north of Tyonek, Alaska. There is one

existing natural gas well (BRU 212-25) along with well houses, flowlines, heat trace, electrical instrumentation, compression, line heaters and dehydrators on pad to assist with active natural gas production.

C. BRU-J Pad

The BRU-J Pad is an approximately 6.31-acre gravel pad located 1.49 miles north of the Main Camp, detailed in Appendix A, and 9.56 miles north of Tyonek, AK. There are five existing natural gas production wells (BRU 224-23, BRU 232-26, BRU 211-26, BRU 224-23T, BRU 244-23) and one water source well (TWUA A2019-03) along with well houses, flowlines, heat trace, electrical instrumentation, compression, line heaters, and dehydrators to assist with active natural gas production.

D. BRU-K Pad

The BRU-K Pad is an approximately 2.45-acre gravel pad located 2.13 miles north of the Main Camp, detailed in Appendix A, and 10.22 miles north of Tyonek, AK. There are six existing natural gas production wells (BRU 212-24, BRU 222-24, BRU 233-23, BRU 212-24T, BRU 214-13, BRU 232-23) and one water source well (TWUA A2019-82) along with well houses, flowlines, heat trace, electrical instrumentation, compression, line heaters, and dehydrators to assist with active natural gas production.

E. BRU-L Pad

The BRU-L Pad is an approximately 2.25-acre gravel pad located 2.25 miles north of the Main Camp, detailed in Appendix A, and 10.26 miles north of Tyonek, AK. There is one existing natural gas production well (BRU 221-23) along with well houses, flowlines, heat trace, electrical instrumentation, compression, line heaters, and dehydrators to assist with active natural gas production.

F. BRU-M Pad

The BRU-M Pad is an approximately 2.0-acre gravel pad located 2.84 miles north of the Main Camp, detailed in Appendix A, and 10.92 miles north of Tyonek, AK. There is one existing natural gas production well (BRU 224-13) and one water source well (TWUA A2019-82) along with well houses, flowlines, heat trace, electrical instrumentation, compression, line heaters, and dehydrators to assist with active natural gas production.

G. BRU-N Pad

The BRU-N Pad is an approximately 1.78-acre gravel pad located 3.54 miles north of the Main Camp, detailed in Appendix A, and 11.59 miles north of Tyonek, AK. There is one existing natural gas production well (BRU 212-18) and one water source well (TWUA A2019-82) along with well houses, flowlines, heat trace, electrical instrumentation, compression, line heaters, and dehydrators to assist with active natural gas production.

- VI. CONSIDERATION OF LEASE PLAN OF OPERATIONS REQUIREMENTS UNDER 11 AAC 83.158(c-d) and 11 AAC 83.160
- A. Full Payment of Damages to the Surface Owner 11 AAC 83.158(c) Hilcorp has provided for full payment of damages prior to starting operations (11 AAC

83.346(c)) by posting a Statewide Oil and Gas Bond in the amount of \$500,000 and has continuing liability under the lease.

B. Plan Sufficiency 11 AAC 83.158(d);

A proposed plan must include statements, maps, or drawings setting forth:

- 1. the sequence and schedule of operations;
- 2. the projected use requirements directly associated with the proposed operations;
- 3. plans for rehabilitation; and
- 4. a description of operating procedures to prevent or minimize adverse effects on natural resources and concurrent uses of the area (11 AAC 83.158(d)).

The information in Section IV. Proposed Operations, and additional information contained in the proposed Plan satisfy the requirements for a plan under 11 AAC 83.158(d) and thus provide the Division with sufficient information available at this time to determine the surface use requirements and impacts directly associated with the proposed operations.

C. Oil and Gas Lease Bond 11 AAC 83.160

The State does not own the surface land where the proposed Plan activities will be located. The State owns all of the mineral estate the Plan proposes to operate and produce from. For the State, a lessee provides for payment of damages by posting a bond and remains liable for full damages under the lease. Hilcorp has a Statewide Oil and Gas Bond in the amount of \$500,000 and continuing liability under the lease.

VII. CONSULTATION WITH OTHER GOVERNMENT ENTITIES

In reviewing the proposed Plan, the Division considered the fact that Hilcorp may require approvals from Agencies for other elements of its project. Although mentioned in the Plan, these aspects of the project are not operations being approved by this decision and the Division offers no opinion on whether an agency should or should not approve these activities.

In addition to considering the approvals required by Agencies as they relate to this decision, the Division provided an agency review and comment opportunity for the activities proposed for authorization under this decision. The following government entities were notified on May 16, 2023, for comment on the Plan: Alaska Department of Environmental Conservation (ADEC), Alaska Department of Fish and Game (ADF&G), DNR: Division of Mining, Land, and Water (DMLW), U.S. Bureau of Land Management (BLM), Cook Inlet Regional Inc. (CIRI), and Kenai Peninsula Borough (KPB). The comment deadline was 4:30 pm Alaska time on May 30, 2023. No comments were received.

VIII. CONDITIONS OF APPROVAL

Having considered the proposed project, the Division approves the Plan as amended and modified by this decision and subject to the below conditions of approval:

To protect the State's interest, the Division finds that it is necessary to amend the Plan to incorporate the following Conditions of Approval:

- a) The applicant shall defend, indemnify, and hold the State of Alaska harmless from and against any and all claims, damages, suits, losses, liabilities and expenses for injury to or death of persons and damage to or loss of property arising out of or in connection with the entry on and use of State lands authorized under this approval by the applicant, its contractors, subcontractors and their employees.
- b) The applicant shall inform and ensure compliance with any and all conditions of this approval by its employees, agents, and contractors, including subcontractors at any level.
- c) Unless pre-authorized by a general permit, amendments and modifications to this approval require advance notice and must be approved in writing by the DNR.
- d) The DNR Commissioner may require that an authorized representative be on-site during any operations conducted under this approval. This stipulation is required to ensure that the Division of Oil and Gas meets its statutory responsibilities for monitoring activities taking place on State-owned lands.
- e) A status report for the activities conducted under this approval must be filed with this office on May 1 and November 1 each year, from the date this approval is issued and until a final completion report is filed with the Division. If a lessee requests an assignment, then a status report must also be submitted during the assignment process. Failure to file in a timely manner may result in revocation of this approval.
 - a. Each status report shall include a statement describing and map(s) depicting all operations actually conducted on the leased area as of the date the report is prepared, which includes the location, design, and completion status of well sites, material sites, water supplies, solid waste lines, buildings, roads, utilities, airstrips, and all other facilities and equipment installed.
 - b. Upon completion of operations, the applicant will submit a completion report which will include all information required of a status report described in (a) above as well as a statement indicating the date of operations completion, any noncompliance with the terms of this plan approval of which a reasonable lessee would have knowledge of, clean-up activities conducted, the method of debris disposal, and a narrative description of known incidents of surface damage.
- f) Notification. The applicant shall notify the DNR of all spills that must be reported under 18 AAC 75.300 under timelines of 18 AAC 75.300. All fires and explosions must be reported to DNR immediately. Notification of discharge must be made to the appropriate DNR Office, preferably by email: dnr.nro.spill@alaska.gov, or (907) 451-2739. DOG must be notified by email: dog.permitting@alaska.gov. The ADEC oil spill report number is (800) 478-9300. DNR and ADEC shall be supplied with all follow-up incident reports.
- g) A certified As-Built survey of the improvement shall be provided within one year of placement of the improvement. This As-Built must be submitted as a digital GIS file containing a Shapefile or Esri Feature Class, as well as a hard copy.

IX. FINDINGS AND DECISION

Having considered the proposed project and based on the foregoing discussion and consideration of issues and conditions of approval, the Division makes the following findings:

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- 1. The Plan provides sufficient information, based on reasonably available data, for the Division to determine the surface use requirements and impacts directly associated with the proposed operations.
- 2. The Plan includes statements, maps, or drawings setting forth the sequence and schedule of operations, projected use requirements, description of operating procedures, and a plan of rehabilitation designed to prevent or minimize adverse effects.
- 3. To protect the State's interest and mitigate potential adverse social and environmental effects associated with the Plan, the Division finds it necessary to amend the Plan to incorporate the mitigation measures set forth in the Cook Inlet Areawide Oil and Gas Lease Sale Final Finding.
- 4. All oil and gas activities conducted under oil and gas leases are subject to numerous local, state, and federal laws and regulations with which Hilcorp is expected to comply.
- 5. The people of Alaska have an interest in developing the state's oil and gas resources and maximizing the economic and physical recovery of those resources. AS 38.05.180(a).
- 6. Alaska's economy depends heavily on revenues related to oil and gas production and government spending resulting from those revenues. The related revenue sources include bonus payments, rentals, royalties, production taxes, income taxes, and oil and gas property taxes.
- 7. The potential benefits of approving this Plan outweigh the possible adverse effects, which have been minimized through imposition of mitigation measures, conditions of approval, and project specific stipulations, and thus approval of this Plan as modified is in the State's best interest.

Based upon the Plan, supporting information provided by the applicant and the Division's review, determination of applicable statutes and regulations, consultation with other agencies, relevant entities and individuals, public comment, and the above findings related to that Plan, the Division hereby approves the Plan.

Sincerery,		
DocuSigned by:		
Graham Smith	6/1/2023	
2846043C8317495		
Graham Smith	Date	
Petroleum Land Manager		
Division of Oil and Gas		

A person affected by this decision may appeal it, in accordance with 11 AAC 02. Any appeal must be received within 20 calendar days after the date of "issuance" of this decision, as defined in 11 AAC 02.040(c) and (d) and may be mailed or delivered to the Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-907-269-8918, or sent by electronic mail to dnr.appeals@alaska.gov. Under 11 AAC 02.030, appeals and requests for reconsideration filed under 11 AAC 02 must be accompanied by the fee established in 11 AAC 05.160(d)(1)(F), which has been set at \$200 under the provisions of 11 AAC 05.160 (a) and (b). This decision takes effect immediately. If no appeal is filed by the appeal deadline, this decision becomes a final administrative order and decision of the department on the 31st calendar day after issuance. An eligible person must first appeal this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

Attachments: Appendix A: Maps

Cook Inlet Mitigation Measures

ecc: DOG: DOG Units, Ashley Ethridge, James Hyun, Alex Zinck, Hayley Beitel, Molly

Fenton, and Rebecca Marks

DMLW: SAIL, Clifford Larson, and Henry Brooks

ADF&G: Ronald Benkert

ADEC: DEC Agency Reviews and DEC Water, Oil, and Gas

Borough: Marcus Mueller Other: BLM and CIRI

















